



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



FILE COPY

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DR. KENNETH M. STONE, CPA  
Internal Audit Executive

February 24, 2010

Rhonda Hamm-Niebruegge, Director of Airports  
Lambert-St. Louis International Airport  
P.O. Box 10212  
St. Louis, Mo. 63145

RE: Review of Ground Transportation –Shuttle Service Concession Agreement AL- #434  
(Project #2009-16)

Dear Ms. Hamm-Niebruegge:

Enclosed is the Internal Audit Section's report for the review of the Ground Transportation-Shuttle Service agreement with Lambert-St. Louis International Airport for the period July 1, 2007 through October 31, 2008. The audit objective was to determine if Trans Express Transportation, Inc., effectively and efficiently manages risks to ensure:

- Accomplishment of established objectives and goals.
- Compliance with applicable laws, regulations, policies and procedures.
- Safeguarding of assets.
- Reliability and integrity of financial and operational information.
- Economic and efficient use of resources.

Fieldwork was completed on April 23, 2009. Management's responses to the observations and recommendations noted in the report were not received from the Trans Express Transportation, Inc; by the requested date of February 19, 2010.

This review was made under the authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with *the International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

Dr. Kenneth M. Stone, CPA  
Internal Audit Executive



# CITY OF ST. LOUIS

**CITY OF ST. LOUIS**

**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**

**REVIEW OF GROUND TRANSPORTATION- SHUTTLE SERVICE  
CONCESSION AGREEMENT AL - #434**

**JULY 1, 2007 THROUGH OCTOBER 31, 2008**

**PROJECT #2009-16**

**DATE ISSUED: FEBRUARY 24, 2010**

**Prepared by:  
The Internal Audit Section**



# OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**

Enclosure:

cc: Gerard Slay, Senior Deputy Director Lambert-St. Louis International Airport

Susan Kopinski, Deputy Director Finance and Administration Lambert-St. Louis International  
Airport

**CITY OF ST. LOUIS**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**REVIEW OF GROUND TRANSPORTATION- SHUTTLE SERVICE CONCESSION**  
**AGREEMENT AL - #434**  
**JULY 1, 2007 THROUGH OCTOBER 31, 2008**

**EXECUTIVE SUMMARY**

**Purpose**

The Internal Audit Section (IAS) has completed a review of Ground Transportation Services agreement between the City of St. Louis and Trans Express Transportation, Inc., (contractor). The purpose was to determine if the contractor has adequate controls in place to provide reasonable assurance of the following:

- Accomplishment of established objectives and goals.
- Compliance with applicable laws, regulations, policies and procedures.
- Safeguarding of assets.
- Reliability and integrity of financial and operational information.
- Economic and efficient use of resources.

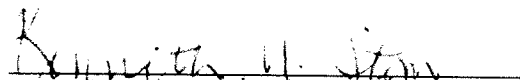
**Conclusion**

The opportunity exists to ensure compliance with the agreement. The following are observations resulting from the review:

1. Lack of compliance with living wage ordinance #65597.
2. Opportunity to improve compliance with the contract's reporting provisions.
3. Opportunity to improve controls over the recording and reporting of gross receipts.
4. Opportunity to improve compliance with contract's operational provisions.

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

  
Dr. Kenneth M. Stone, CPA  
Internal Audit Executive

  
Date

**CITY OF ST. LOUIS  
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT  
REVIEW OF GROUND TRANSPORTATION- SHUTTLE SERVICE CONCESSION  
AGREEMENT AL - #434  
JULY 1, 2007 THROUGH OCTOBER 31, 2008**

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## **INTRODUCTION**

### **Background**

Contract AL- #434 is between the City of St. Louis and Tran Express Transportation, Inc; to provide ground transportation services to passengers departing from and arriving at the Lambert-St. Louis International Airport. The contract is for the period July 1, 2007 through June 30, 2009.

The contractor has agreed to pay a sum equal to the greater of the Minimum Annual Guarantee (MAG) of \$201,000 year one , \$204,000 in year two or the percentage fee (10%) of the gross receipts for years one and two.

### **Purpose**

The purpose was to determine if the contractor has adequate controls in place to provide reasonable assurance of the following:

- Accomplishment of established objectives and goals.
- Compliance with applicable laws, regulations, policies and procedures.
- Safeguarding of assets.
- Reliability and integrity of financial and operational information.
- Economic and efficient use of resources.

### **Scope and Methodology**

The review was limited to the contractor's compliance with the terms and conditions of the contract. Review procedures included inquiries of the management of Tran Express Transportation, Inc, Finance and Reporting Sections and Contracts Administration of Lambert-St. Louis International Airport. To evaluate the appropriateness and accuracy of revenue items reported, a limited review of gross receipts on a random basis totaling approximately \$425,713 in the aggregate for the period July 1, 2007 through October 31, 2008 was conducted.

The appropriateness and accuracy of revenue reported for the determination of the Airport Authority's gross receipts share as outlined in the ground transportation-shuttle service concession agreement was evaluated.

## **INTRODUCTION**

### **Exit Conference**

An exit conference was held on Wednesday February 4, 2010. Tran Express Transportation, Inc. was not present during this exit conference. The Airport Properties Section was represented by Robert Salarano, Airport Properties Manager. The Airport Accounting and Finance Sections were represented by Henrietta Brown, MBA, Airport Assistant Director - Finance & Accounting. The Internal Audit Section was represented by Leonard E. Bell, Jr., Auditor-in-Charge.

### **Management's Response**

Management's responses to the observations and recommendations noted in this report were not received from Tran Express Transportation, Inc; by the requested date of February 19, 2010.

## **OBSERVATIONS**

### **Status of Prior Observations**

This contract has not been previously reviewed by Internal Audit, therefore, there were no prior observations.

### **Summary of Current Observation**

The opportunity exists for Trans Express Transportation, Inc., and the Airport Authority to ensure compliance with the terms and conditions of the agreement. The following are observations resulting from the review:

1. Lack of compliance with living wage ordinance #65597.
2. Opportunity to improve compliance with the contract's reporting provisions.
3. Opportunity to improve controls over the recording and reporting of gross receipts.
4. Opportunity to improve compliance with contract's operational provisions.

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.



**DETAILED OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT'S RESPONSES**

**1. Lack Of Compliance With Living Wage Rate Ordinance #65597**

During performance of the review, it was concluded the contractor was not in compliance with the Living Wage Ordinance #65597 and Section #1326 of the contract agreement #AL-434 regarding the Living Wage provisions. Specifically, requests were made to review the payroll records of the contractor to determine compliance and they were not provided.

According to the revised code Chapter 6, Section 20.020 indicates every service contract entered into by the City whether negotiated or advertised shall contain provisions regarding compliance with the minimum prevailing wage rates established by the United States Department of Labor”.

Section #801 “Compliance with Laws and Regulations” of the contract #AL-434 requires that the concessionaire comply with all statutes, laws, ordinances, orders, judgments, decrees, regulations, directions and requirements of all federal, state, city, local and other governmental authorities.

Section #1326 states that this agreement is subject to Living Wage Ordinance #655597 and the regulations associated with as many as amended from time to time.

Contractor lacks the appropriate controls to review wage rates to ensure compliance with the contract’s terms and conditions regarding Living Wage rates.

Lack of compliance with contract terms, covenants, and condition may result in imposition of penalties specified in the ordinance and regulations, without limitation, suspension and cancellation of the agreement by the City of St. Louis as noted in Section #1326 of agreement #434.

**Recommendation:**

We recommend that the contractor develop a process whereby compliance with the Living Wage Rates Ordinances for the contract period is obtained.

**Management’s Response**

*Management’s responses to the observations and recommendations noted in this report were not received from Tran Express Transportation, Inc; by the requested date of February 19, 2010.*

## **DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES**

### **2. Opportunity To Improve Compliance With Contract's Reporting Provisions**

The monthly reports submitted to the Airport were not in the prescribed format.

Section #505 of the agreement. Specifically total passengers transported:

- From the airport to downtown, from downtown to the airport.
- From the airport to Central West End, from Central West End to the airport.
- From the airport to Clayton, from Clayton to the airport.
- From the airport to other locations, from other locations to the airport.
- Pre-arranged single party door to door service.
- Number of scheduled trips canceled and the reasons for cancellation.

The appropriate records to determine compliance were not available during the review.

The risk that a contractor is not complying with the contract provisions may increase the City's exposure to additional legal costs in obtaining contract compliance, contract termination, claims for damages and loss of revenue due to the City.

#### **Recommendation**

To ensure contract compliance, management should develop policy and implement procedures which will achieve the deliverables of the contract, comply with laws, regulations and ordinances and industry standards.

#### **Management's Response**

*Management's responses to the observations and recommendations noted in this report were not received from Tran Express Transportation, Inc; by the requested date of February 19, 2010.*

### **3. Opportunity To Improve Controls Over The Recording And Reporting Of Gross Receipts**

A review of procedures in place for the recording and reporting of revenue and randomly selected gross receipts reported to City of St. Louis were tested to determine if internal controls are sufficient. In review of the contractor's cash basis of accounting records, the following were noted:

- Cash received were not reconciled to the bank accounts and subsidiary records (cash collection reports).
- Non-airport revenue (income not subject to gross receipts share) for ground transportation services did not agree to internal accounting records (cash collection reports).

**DETAILED OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT'S RESPONSES**

**3. Continued**

- There are no separate bank accounts for the depositing of funds and payment of operating and payroll expenses.

On a random basis, four (4) months of daily cash collection reports (reports prepared by drivers documenting trips and revenue earned during hours worked) were re-computed and compared to the monthly revenue reports submitted to the Airport Authority. The total of cash collections reports did not agree to the monthly revenue reports.

Specifically:

<b>Month</b>	<b>Receipts Per Monthly Report</b>	<b>Receipts Per Daily Cash Collection Reports</b>	<b>Difference Overstated (Understated)</b>
<b>July 2007</b>	<b>\$110,119</b>	<b>\$102,356</b>	<b>\$7,763</b>
<b>September 2007</b>	<b>\$110,810</b>	<b>\$110,462</b>	<b>\$348</b>
<b>May 2008</b>	<b>\$ 106,629</b>	<b>\$106,966</b>	<b>(\$337)</b>
<b>August 2008</b>	<b>\$ 105,630</b>	<b>\$105,928</b>	<b>(\$298)</b>

There were no reconciliations of the bank statements to the daily cash reports being performed.

One of the principal objectives of the financial management of an enterprise should be the implementation of a basic financial policy. The cash basis accounting system measures the flow of cash resources. It recognizes transactions and events only when cash is received or paid. The contractor uses the cash basis of accounting in its reporting of financial transactions for the contract with the City of St. Louis.

The amount reported as gross receipts using the cash basis of accounting cannot be relied upon to verify the percentage share of gross receipts due to the City of St. Louis is accurate.

The City's inability to verify gross receipt increases the risk of potential loss of revenue to the City of St. Louis.

## **DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES**

### **3. Continued**

#### **Recommendation**

It is recommended Trans Express Transportation, Inc., improve controls for recording and reporting of gross receipts to ensure at the minimum the following:

- Reconciliation of bank statements to the daily cash collection reports are performed monthly.
- Monthly Reports of Revenue submitted are agreed to internal accounting records.

#### **Management's Response**

*Management's responses to the observations and recommendations noted in this report were not received from Tran Express Transportation, Inc. by the requested date of February 19, 2010.*

### **4. Opportunity To Improve Compliance To Contract's Operational Provisions**

The following weaknesses were observed during a review of the drivers' certification files:

- There is no driver's safety program in place.
- 45 % (4/9) of those who had drug and alcohol test results were not documented in the drives' files.
- 23% (2/9) did not have drug and alcohol test results documented in the drivers' files.
- 56 % (5/9) had no documentation attesting that a physical examination had been performed for the year 2008.
- 78% (7/9) of the files contained no evidence of police record check being provided.

The contractor's current driver's certification policy requires drivers to:

- Have a minimum of 3 years good driving experience.
- Pass a mandatory drug and alcohol screening.
- Complete a department of transportation (DOT) physical with a medical examiner.
- Have an acceptable city and county police record check.

Section #615 requires the concessionaire to be responsible for all aspects of the management and operation of this concession agreement.

**DETAILED OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT'S RESPONSES**

**4. Continued**

Trans Express Transportation drivers' records do not comply with the driver's certification policy or Section #615 of the agreement.

Lack of compliance to internal policy may affect services provided and may determine the concessionaire not to be in compliance with the contract.

**Recommendation**

It is recommended Trans Express Transportation, Inc., to improve compliance with their policy on driver's certification.

**Management's Response**

*Management's responses to the observations and recommendations noted in this report were not received from Tran Express Transportation, Inc; by the requested date of February 19, 2010.*